

Message Text

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ACTION EA-09

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FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

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STR-04 CEA-01 PA-01 PRS-01 OES-07 FEAE-00 ERDA-05

AGRE-00 PM-05 DODE-00 /108 W

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FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 6118

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY RANGOON

AMEMBASSY ROME

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

USLO PEKING

COMUSTDC

CINCPAC

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CINCPAC FOR POLAD

EO 11652: N/A

TAGS: ECON, TGEN, CH

SUBJECT: PRC BI-WEEKLY ECONOMIC HIGHLIGHTS NO. 9

1. CHINA, INCORPORATED

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THE CHINESE STRATEGY TO ACCELERATE ECONOMIC RECOVERY
IS FOCUSED ON INCREASING ENTERPRISE PROFITS THROUGH CUTS IN
CONSUMPTION OF RAW MATERIALS, FUEL AND POWER INPUTS. AN
AUGUST 4 PEOPLE'S DAILY ARTICLE CALLS FOR "INITIAL SUCCESSES"
IN THESE AREAS BY THE END OF THE YEAR. THESE SUCCESSES ARE TO BE
ACHIEVED THROUGH SHIFTS IN THE TOP-LEVEL MANAGEMENT
OF KEY ENTERPRISES, AND BY SETTING CEILINGS ON

CONSUMPTION OF CRITICAL INPUTS. THE LATTER IS TO BE BASED ON AN ACCOUNTING SURVEY TO BE CONDUCTED DURING THE THIRD QUARTER OF THE YEAR. WHILE THE HIGHEST PRIORITY IN THE ACHIEVEMENT OF PRODUCTION TARGETS IS SET FOR THE BASIC INDUSTRIAL SECTORS (E.E., COAL, ELECTRICITY, IRON AND STEEL, COMMUNICATIONS AND TRANSPORT, LIGHT INDUSTRY AND THE AGRICULTURAL-SUPPORT INDUSTRIES), ALL ENTERPRISES ARE URGED TO IMPROVE QUALITY CONTROL, TO STRICTLY ADHERE TO DELIVERY SCHEDULES, AND TO IMPROVE WORKING CONDITIONS AND INDUSTRIAL SAFETY MEASURES.

2. THE CENTRAL GOVERNEMENT'S EFFORT TO ENFORCE ACCOUNTABILITY FOR ECONOMIC PERFORMANCE THROUGH STREAMLING MANAGEMENT WAS UNDERSCORED RECENTLY BY THE VISITS OF INDUSTRIAL MINISTERS AND VICE MINISTERS TO KEY ENTERPRISES IN THE SECTORS UNDER THEIR JURISDICTION. IN SETTING STRICT STANDARDS OF ENTERPRISE ACCOUNTABILITY AND CLEAR PRIORITIES IN PRODUCTION AND IN RAW MATERIALS CONSUMPTION, CHINA'S ECONOMIC PLANNERS ARE MOVING TO RATIONALIZE THE ENTIRE ECONOMIC SYSTEM, A STEP THEY SEE BOTH AS A PREREQUISITE TO SHORT-TERM RECOVERY AND TO THE ACHIEVEMENT OF THEIR LONG-RANGE GOAL OF JOINING THE RANKS OF THE INDUSTRIAL NATIONS BY THE END OF THE CENTURY.

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2. TENG'S 1974 COMMENTS ON PRC FERTILIZER NEEDS REVISED

A REPRINT OF 1974 COMMENTS BY TENG HSIAO-PING HAS REVISED UPWARDS HIS PERCEPTION OF CHINA'S FUTURE CHEMICAL FERTILIZER NEEDS. ACCORDING TO AN AUGUST 1 ARTICLE IN HONG KONG'S PRO-PRC JOURNAL SEVENTIES, TENG IS REPORTED TO HAVE TOLD AN OVERSEAS CHINESE GROUP ON OCTOBER 1, 1974 THAT CHINA'S CHEMICAL FERTILIZER APPLICATION RATE WAS ONLY 20 KILOGRAMS PER MOU (15 MOU EQUALS 1 HECTARE) FOR SOME 1.5 BILLION MOU OF ARABLE LAND. HE NOTED THAT IN WESTERN COUNTRIES CHEMICAL FERTILIZER APPLICATION AVERAGES 100 KILOGRAMS PER MOU OR AT THE BARE MINIMUM, 50-60 KILOGRAMS (1 KILOGRAM EQUALS 2.2 POUNDS). FOR CHINA TO DOUBLE ITS PER MOU APPLICATION FROM 20-40 KILOGRAMS, AND ADDITIONAL 30 MILLION METRIC TONS OF FERTILIZER WOULD HAVE TO BE PRODUCED. TENG FURTHER NOTED THAT IT WAS FEASIBLE THAT CHINA COULD RAISE ITS CHEMICAL FERTILIZER PRODUCTION TO 100 MILLION METRIC TONS. THUS, TENG STATED, THAT SINCE A CATTY (1 CATTY EQUALS .5 KILOGRAM) OF FERTILIZER CAN INCREASE GRAIN OUTPUT BY THREE CATTIES, CHINA COULD RAISE ITS GRAIN PRODUCTION BY 300 MILLION TONS.

IT IS BELIEVED THAT CHINA CURRENTLY PRODUCES ABOUT 30 MILLION METRIC TONS OF CHEMICAL FERTILIZER, ALTHOUGH THIS FIGURE IS LIKELY TO BE INCREASED TO ABOUT 35 MILLION METRIC TONS WHEN ALL 13 IMPORTED AMMONIA-UREA PLANTS GO ON STREAM. GRAIN PRODUCTION IN 1975 WAS ESTIMATED TO BE ABOUT 279 MILLION METRIC TONS. FOR CHINA TO INCREASE ITS CHEMICAL FERTILIZER PRODUCTION CAPACITY TO 100 MILLION TONS, OR EVEN 60 MILLION TONS, WITHIN THE NEAR TERM WOULD BE AN ENORMOUS TASK, EVEN IF A LARGE SCALE EFFORT TO IMPORT FOREIGN PLANTS WERE UNDERTAKEN.

3. OLD WINE IN NEW BOTTLES: A MOVE TOWARD RAIL CONTAINERIZATION

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EVIDENCE OF CHINA'S FIRST DOMESTICALLY BUILT RAIL CONTAINERS WAS REPORTED IN HONG KONG'S PRC-CONTROLLED WEN WEI PAO ON JULY 26, 1977. ACCORDING TO THE ARTICLE, TWO FIVE-TON CAPACITY RAIL-MOUNTED SHIPPING CONTAINERS CARRYING WINE WERE OBSERVED AT THE HUNGHAM RAILROAD STATION (KOWLOON). THE MARKINGS INDICATED THE CONTAINERS WERE CONSIGNED TO THE PEKING BRANCH OF THE FOREIGN TRADE TRANSPORT COMPANY. CHINA'S INTEREST IN A SHIP CONTAINER SERVICE IS EVIDENCED BY THE PENDING SEPTEMBER VISIT OF A JAPANESE DELEGATION TO DISCUSS SUCH SERVICE (REF: PEKING 1236). THE REPORTS ON CONTAINERIZATION COINCIDE WITH THE RECENT NATIONAL CONFERENCE ON FOREIGN TRADE HELD JULY 14-28 IN PEKING, AT WHICH THE MERITS OF NEW PACKAGING TECHNIQUES WAS DISCUSSED AS ONE OF THE REQUIREMENTS FOR IMPROVING THE QUALITY OF CHINA'S EXPORT PRODUCTS.

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